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ABSTRACT

This paper examines the financial problems of California's community colleges caused by reduced local property tax support. In 1978 California voters enacted Proposition 13, a constitutional amendment that reduced taxes on real estate. The proposition's immediate effect on community college funding was a statewide, fifty-percent reduction in local property tax support. This cut in support caused financial problems in California community colleges and public schools, and led to voter enactment of Proposition 98 in 1988, which set the minimum percentage share of state general-fund appropriations to K-14 schools at approximately 40 percent. The split between public schools and community colleges was not specified in the proposition, however, and the result was continuing competition between these two sectors. This struggle was perceived as being financially detrimental to community colleges, and consequently, the state again increased appropriations. This "roller coaster" of funding experienced by community colleges has led to the elimination of thousands of class sections, thereby increasing class sizes. A study for the California Postsecondary Education Commission recommended restricting the mission of the California community colleges to college transfer and occupational education, eliminating remedial education and English as a Second Language programs. According to one observer, financial and enrollment problems appear to have been compounded due to the limitations of offering only associate in arts degrees, and to the discouragement of many adults attempting to enroll in course sections that are canceled. (AS)

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California Community Colleges: Coping with Tax Reductions

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California Community Colleges: Coping with Tax Reductions

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The California community college system is the largest by far in the nation, with 71 community college districts, 107 colleges, and over a million students, for more than one-fifth of the total national community college enrollment. The Board of Governors of the California Community Colleges is a strong coordinating board. Each community college district has a locally elected governing board that holds title to property and hires and fires chancellors/presidents, faculty and staff (Meyers, in Tollefson & Fountain, 1992, Knoell, 1997).

In November of 1978, California voters enacted Proposition 13, a constitutional amendment that rolled back assessed values on personal and commercial real estate to March, 1976, appraised values, set maximum annual local property taxes at one percent of market value, and limited yearly increases in appraised values to two percent, except in cases of new construction or property that was sold after the effective date. Proposition 13 also prohibited state taxes on real estate, required a two-thirds majority of local voters to impose any new local taxes and mandated that any increase in state taxes be approved by two-thirds of both houses of the state legislature. The immediate effect on community college funding was to reduce local property tax support statewide by approximately one-half. That reduction was mitigated initially by Governor Jerry Brown, who used a substantial part of a half-billion-dollar state surplus to offset lost community college property taxes. The reversal of the split from approximately two-thirds local and one-third state support to one-third local and two-thirds state support led to some increased state centralization of control over the community

colleges by the Board of Governors of the California Community Colleges and its Office of the Chancellor.

The 1960 California higher education master plan established the mission of the community colleges to provide instruction through grade 14 to all residents ages 18 and above in general or liberal arts education, college transfer and vocational programs leading to or enhancing employment, remedial education, and noncredit courses and community services for adults. The official mission has not changed substantially since 1960, but its implementation appears to have been restricted as a result of Proposition 13 and subsequent constitutional amendments and state legislation.

Problems caused by reduced local property tax support for California community colleges and public schools led to voter enactment of Proposition 98 in 1988, which set the minimum percentage share of state general-fund appropriations to K-14 schools at the 1985-86 level, which was approximately 40 percent. Proposition 98 contained an escape clause that allowed the state legislature to suspend the minimum K-14 share, in "low-revenue" years and that option has been exercised most years since 1988. The split between public schools and community colleges was not specified in Proposition 98, and the result was continuing competition between the two sectors that has been perceived as financially detrimental to the community colleges. A bill enacted by the legislature in 1989 mandated that community colleges be appropriated at least the share of state general funds they received in 1988-90, which was about 11 percent. That provision has been suspended most years since 1992, as allowed by Proposition 111, enacted by voters in 1990 (California Community College Faculty Association, 1995, August).

California community colleges have experienced "roller-coaster" funding from the state since 1988-89, when state appropriations totaled \$1.45 billion. State community college appropriations

rose gradually to \$1.5 billion in 1991-92, dropped to approximately \$1.0 billion (sources differ from \$.99 billion to \$1.1 billion) in 1993-94, and have risen sharply to over \$1.7 billion in 1996-97. The net increase from 1992-93 to 1996-97 was only 13 percent (Palmer, 1995, January-February; Hines & Higham, 1997). The state appropriation for 1997-98 is slightly over \$1.9 billion (Merle, 1997, July 30, personal communication).

Chaotic fluctuations in community colleges state and local revenues were initiated by Proposition 13 and compounded by Propositions 98 and 111. Additional fluctuations were caused by statutes enacted in the intervening years that mandated statewide community college tuition, limited local boards' authority to impose local student fees, and, for several years, imposed up to a \$50 surcharge per credit hour on community college students with bachelor's degrees. The last requirement caused an immediate decline of approximately 200,000 students (Knoell, 1997). A severe statewide recession exacerbated the problem regarding both state and local funding support.

California community colleges have attempted to cope with extreme reductions in funds by eliminating thousands of class sections and thereby increasing class sizes, by increasing the uses of part-time faculty, and by requiring that noncredit courses and community services be self-supporting. Enrollments also have fluctuated considerably from year to year. Fall 1994 enrollment was just under 1.1 million headcount, which was 20.7 percent of all community college students in the nation.

In 1995 David Brenneman conducted a study for the California Postsecondary Education Commission that recommended restricting the mission of the California community colleges to college transfer and occupational education, inferentially to eliminate remedial education and English as a second language, in a statewide system with 48 percent minority enrollment in 1994 (Knoell, 1997).

Some loss of local autonomy seems evident. It was alleviated by legislative restrictions on state board authority and compounded by collective bargaining and laws requiring faculty and student representation on the Board of Governors.

According to one astute observer, financial and enrollment problems appear to have been compounded for two reasons. One is that California community colleges offer only associate in arts degrees (rather than associate in science and/or associate in applied science programs) which require 30 or more semester credit hours of general education. The result is that hundreds of thousands of job-oriented students complete only the occupational courses. The second perceived reason is that state and local community college leaders have publicized the problem of canceled course sections too much, thereby discouraging many adults from attempting to enroll (Knoell, 1997).

On the basis of state appropriations increases in the past two years, it appears possible that California community colleges may be moving toward an adequate and predictable financial position.

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